




DRIVING NEEDS

A GUIDE TO BUYING & FINANCING YOUR NEXT VEHICLE



TURN TO YOUR CREDIT UNION FIRST

NO CURVES



**Drive straight to
your credit union
for auto loans**

Let us put you in the driver's seat when you're ready to buy a new or used vehicle. We'll steer you in the right direction with complete purchase and trade-in pricing information. And a loan preapproval will ensure that there are no obstacles along the road to buying the car of your dreams.

So come to your credit union for some straight talk. We'll give you the power to get where you want to go.



Table of Contents

FEATURES

■ How to Take a Test Drive	2
■ When “0%” Sounds Too Good to Be True	3
■ Safety — You Asked for It	4
■ Should You Buy or Lease?	5
■ Using Home Equity for a Tax-Deductible Auto Loan	6
■ Preparing Your Trade-In for Top Dollar	7
■ Buying a Used Car	8
■ After-Market Aggravation	9

Ways to Optimize Your Gas Mileage

- Replace your air filter as soon as it gets clogged.
- Keep your vehicle properly tuned.
- Don't let your tires get underinflated.
- Use the proper grade of motor oil.
- Limit your use of your air conditioner.
- Use cruise control when driving on mostly flat roads.
- Avoid "jackrabbit" starts.
- Shut off your engine if you're idling for more than a minute.
- Avoid carrying excess weight in your trunk or on your roof rack.
- Wash and wax your car to improve its aerodynamics.

How to Take a Test Drive

Before you even consider test-driving a car, look through *Car and Driver*, *Road and Track*, *Motor Trend* or *Automobile* magazines to get a good sense of what appeals to you. Then, for a more sober perspective, check the annual automobile issue of *Consumer Reports* or *Consumer Guide* for reliability, frequency of repairs and safety data on your favorites. Remember, too, that there's plenty of automotive information available online. Only then, when you have balanced style against practicality, is it time to test-drive the possibilities.

That's step one. Step two, is approaching the test drive with a clear head and the attitude that this is just one of several you might like. Settling on only one make or model in advance, is not only a poor way to negotiate the purchase, but a poor way to judge the vehicle.

What, then, should you look for during a test drive? First, does the car have what you need in these categories: power; room; safety (crashworthiness, airbags, etc.); ease of entry and exit; local parts and service; and a solid warranty.

Then look and listen to avoid: excessive wind or engine noise; heavy or imprecise steering; poor gas mileage; sloppy fit (trim, molding, etc.); unreadable instruments; clumsy controls or levers; and poor resale value.

These are fairly objective qualities. But when you test-drive a car, you also want to be attuned to "personal" issues that no magazine can settle for you. Like a pair of shoes, a car has to fit — not only your body and your budget, but your life. Will your family's luggage fit in the trunk? Will your family fit in the seats? Finally, will the future driver of this car be happy with his or her seat and driving position? Pay special attention to the latter, since so many models sacrifice shoulder room for aerodynamic roundness.

Don't be afraid to ask the salesperson to be silent during much of the test drive so that you get the proper feedback from the vehicle. Then, after the test drive, just sit in the car for a few minutes. Your body will tell you all you need to know.

When “0%” Sounds Too Good to Be True

You’ve seen the ads. Zero percent financing, 2.9 percent financing. The automobile manufacturers’ rates seem great. What could be wrong with them? Plenty, if you take a look at the fine print.

- These low rates are often available only to those with the best credit records. One small credit blemish and the rate goes up.
- Many of the companies are offering these low rates for loans with shorter terms (36 months or less). That increases the amount of your monthly car payments.
- The rates are sometimes offered only on “selected” models, which are usually not the most popular models.

Consider the total cost of the loan too. Will you be charged an application fee? Is there a pre-payment penalty? Would you be required to pay front-loaded interest, that is, pay more of the interest earlier in the loan? You may carry a larger principal balance longer, meaning at some point the value of the car could be less than the balance of the loan.

How to find the best deal

Your best deal could come from skipping the low dealer rate, taking the rebate the dealer is offering, and financing your vehicle through your credit union. Why?

- You start off with a lower loan amount if you take the rebate, saving you money in finance costs.
- You could get lower monthly payments with your credit union, because low auto loan rates are available for loans with longer terms as well as short ones.
- You may save money on the total cost of the loan, because credit unions don’t charge application fees or pre-payment penalties, and they charge simple interest, meaning you pay down your principal balance at a faster rate.

At your credit union, you can choose any make or model. You can choose your terms. And you can save money. Check with your credit union before you sign any financing agreement offered to you by a dealership.

Did You Know ... ?

- That getting “0%” financing may depend on your willingness to pay the full sticker price?
- That “0%” financing is usually available on slow-selling models only?
- That, as a result of having to pay the full sticker price, the taxes on your car will probably be higher if you get “0%” financing?
- That getting “0%” financing will often prevent you from getting a rebate you would otherwise have been eligible to receive?
- That you’re usually better off taking the rebate and getting a loan from your credit union?

Safety — You Asked for It

Did You Know ... ?

- That a teenage driver driving by himself or herself is twice as likely to have a fatal collision as an adult?
- That a teenage driver with teenage passengers is five times as likely to have a fatal collision as an adult?
- That children under 4 who ride in motor vehicles unrestrained are twice as likely to die or suffer injuries in a collision?
- That the government recommends that children under 12 ride in the back?
- That one in four rear-seat passengers don't use seat belts (but should)?
- That increasing the number of passengers in an SUV increases its chances of rolling over?

The average price of a new car today is about four times what it was 30 years ago. Some of this increase is due to inflation. However, much more is the result of consumers demanding — and getting — added safety features in their vehicles.

As technology improves, new safety features continue to be introduced every year. Two of the most recently touted are electronic stability control and “curtain” air bags.

Electronic stability control is a feature that reduces skids, spins and rollovers. It combines traction control to stop wheels from spinning during acceleration and yaw control to prevent the vehicle from swerving. With yaw control, the car automatically brakes in order to help the driver regain direction control.

This option is standard on some luxury SUVs, and it can be added to most vehicles that have anti-lock brakes for around \$800.

Curtain air bags shoot down from a vehicle's ceiling to cover the windows of the doors. They're designed to protect

the heads of front and rear passengers. And, unlike conventional front air bags, there are no reports of them causing serious injury to children or smaller adults.

Curtain air bags can again be a pricey option, often costing between \$600 and \$1,000, and they are not offered on all vehicles. (Since they're custom-made for each model, it would be difficult to add them on later.) But, for many, the extra safety is worth it.

In general, performance of safety features varies according to each manufacturer's design. Pay attention to the results of crash tests and other safety tests performed by the National Highway Traffic Safety Administration, the Insurance Institute for Highway Safety and Consumer Reports. They can give you a good sense of how all the different models on the market compare with each other from a safety standpoint.

The bottom line regarding safety at a fair price still requires you to be a knowledgeable consumer when you buy a car.

Should You Buy or Lease?

The leasing of new vehicles has declined in popularity since the early 1990s, when 26 percent of new-car customers leased their vehicles. Nonetheless, that option is still out there, and it still appeals to many consumers. Before you decide to lease a vehicle, be sure to consider everything leasing involves.

When you buy a new car, at the end of the loan you own the car. When the last payment is made on a lease, you own nothing. You either turn in the car or exercise an option to purchase it at a predetermined price (residual value).

Lease if you like to drive a new car every few years. If you plan to keep a car five or more years, buying is probably best.

Buy if you drive more than 12,000 to 15,000 miles per year. And buy if you are hard on car engines and interiors. You will be charged for excess wear and tear at the end of a lease. (If you lease, keep regular maintenance records of inspections and minor

repairs, including oil changes every 3,000 miles.)

The security deposit is usually refundable at the end of the lease; however, the disposition charge (to ready the car for resale) is usually the same or slightly higher than the security deposit. If you plan to buy the car at the end of the lease, you also may pay a purchase-option fee.

In general, leasing is most favorable for businesses because of the tax breaks it offers. If you are not self-employed or if the car will not be used for business purposes, leasing is sometimes an expensive financing alternative because of higher (imputed) interest rates. The higher rates are due to low down payments and higher risks for the lenders. *And remember, you own nothing at the end of the lease term.*

Weigh the advantages and disadvantages. If you decide to lease, shop around for a “consumer-friendly” lease. *And read the contract carefully before signing it.*

Using Home Equity for a Tax-Deductible Auto Loan

In the quest for the best deal on a new car, many consumers are striving for the tax savings of deductible auto loans. In fact, a National Association of Realtors study found that 11% of homeowners with home equity loans or second mortgages used the funds to buy vehicles. Home equity loans have become popular because the interest payments may qualify for an income-tax deduction.

But do these tax savings mean “real” savings? Experts agree the answer is maybe — but not always.

Financing a vehicle with a home equity loan has other advantages besides the tax savings. You can probably finance over a longer period of time. And you can sometimes get a better interest rate too.

Here are some tips to help you determine which direction is right for you.

Consider other costs. When you finance a home equity loan, you can expect to incur appraisal, credit-check and possibly title-search costs. You may pay closing costs too.

These expenses could amount to hundreds of dollars. If you save only

\$1000 over the course of the loan, will your net savings be worth it?

Keep the term short. Say you have a 5-year secured auto loan of \$20,000 at a 5.75% rate. You pay \$384.34 a month, with a total interest expense of \$3,060.12. By comparison, the same amount over 10 years would cost only \$219.54 a month — but the total finance charges would be \$6,344.61!

However, with an equity auto loan you will realize a tax savings on interest paid. For example, if you're in a 28% tax bracket, your typical tax savings will be 28% of the finance charges paid each year.

If you're taking out a ten-year loan to finance a new car, ask yourself whether the car will even last that long. Let's face it, it's not in your best interest to continue owing on something that no longer has value. In six years you may find yourself needing a new car with only half of your loan paid and valuable equity in your home tied up.

Consult your tax advisor and turn to your credit union too. We can show you all your financing options and find the best way to finance your car — so it fits your budget and meets your needs.

Preparing Your Trade-in for Top Dollar

When buying a car, you have decisions to make about what to do with the car you presently own. To help you decide, get the *Black Book Used Car Market Guide* prices on your trade-in.

This guide is the one widely used by most car dealers. According to the *Black Book*, “Clean” means very little interior or exterior wear, matching tires with good tread, and mechanically sound. “Average” means visibly normal interior and exterior wear. Still a good vehicle with substantial service remaining.

With wholesale values in hand, you can get your vehicle ready for trade-in. You may want to detail your vehicle. Clean it inside and out. When the used-car manager drives your car to give you an estimate, he or she is affected by how it looks and smells.

Good tires are important to auto-wholesalers, so have them balanced or replace them if they're obviously worn. Check the cost of alignments, if needed. Check your car for rust. If there are

spots, cover them with touch-up paint. If your car has dings, “ding” specialists can remove them.

If there's a major mechanical problem with your car, knowing the trade-in value up front will let you know if it's worthwhile to fix it. If it might cost more to fix your car than it's worth, decide NOT to trade it in. It will only detract from your getting the best price on your new vehicle. Instead, think about donating it to a charitable organization.

If your car is in good condition, an important factor is mileage. The *Black Book* states: “The industry standard is 15,000 miles per model year. Mileage in excess of industry standards may lower the overall classification.” Conversely, low-mileage cars bring top dollar.

Trade-ins are negotiable. Chances are, a dealer will offer you a low figure up front, in expectation that you will counter. Knowing the value of your trade-in first is crucial to getting a good deal.

Did You Know ... ?

- That “permanent” antifreeze is actually far from permanent?
- That, contrary to myth, a compact disc hanging from your rearview will not foil a police radar gun?
- That you're asking for trouble if you buy a car in its first year of production following a radically new design?
- That replacing a lost key for a vehicle with a transponder-based anti-theft system could cost you as much as \$3000?
- That you should never leave your engine running while giving another motorist a jump-start?
- That diesel engines are up to 30% more efficient than gasoline engines?

Buying a Used Car

There are many places to get used cars:

- **New-car dealers** have many types of used vehicles for sale. There are former rental cars, commonly called “program cars.” These one- to two-year-old cars have rather high mileage but may still be covered by factory warranties. Then there are vehicles traded in by new-car-buyers and those turned in at the end of their leases. Previously leased vehicles can be a good buy, since most are still under factory warranty, are well maintained and have low mileage, as required by the lease. All other used cars from new-car dealers come with 30-day warranties.
- Another good source for used vehicles is a **rental car company** like Enterprise. Enterprise’s cars all come with one-year warranties and seven-day buy-back guarantees.
- **Used-car dealers** have a wide variety of vehicles from a wide variety of sources, including trade-ins and rental car companies. Avoid fly-by-night operations.
- Cars from **used-car companies with “no**

haggle” pricing, like CarMax and AutoNation, tend to be higher-priced than ones found elsewhere.

- And, last but not least, there are **private owners**. They usually advertise in newspaper classified ads or online. If you have enough information and follow the steps outlined below, a privately sold vehicle can sometimes be a great bargain. Keep in mind, however, that unless a vehicle’s still under factory warranty, it won’t come with any 30-day warranty.

Before buying any used car, have a mechanic inspect it. You’ll need a safety inspection before you can register the vehicle anyway, so spending \$60 or even \$100 up front to make sure the vehicle’s reliable makes sense. Ask to see any service records that may be available. They can help you tell how well the previous owner cared for the vehicle. They may also tip you off to lingering problems.

Needless to say, you should never buy any vehicle without really test-driving it; that’s especially true when it comes to used ones. Drive it on the highway. Drive it in stop-and-go traffic. Drive it uphill and down. And sit in it long enough to determine its comfort level. If you can’t test-drive it more than five miles, don’t buy it!

Did You Know ... ?

- That many cars whose manufacturers recommend using premium gasoline also run well on regular?
- That off-brand gasoline is usually no different from the gasoline sold at other stations?
- That surveys have shown that, generally speaking, European-made vehicles are the most trouble-prone?
- That, for the first 500 miles or so of a car’s life, you should avoid rapid starts or hard stops?
- That fuel-injected cars will run better in the long run if you just start them up and drive off rather than warming up the engine first?



After-Market Aggravation

After spending hours in the car dealership negotiating the best price, all you want to do is sign the papers and go home! But no! You don't sign the purchase agreement with your salesperson. That would be too easy. Instead, you will talk with someone in the finance department.

Well, okay. How difficult can that be since you have a preapproved loan with your credit union? As your salesperson ushers you through the door, you get an uneasy feeling.

You're right. This isn't going to be quick or easy. "Finance" people earn commissions on selling you after-market products ranging from paint sealant and undercoating (rustproofing) to multiple-year extended warranties.

Trying to sell you any or all of these items can consume additional hours of your time and add hundreds of high-

profit unnecessary dollars to the deal. And, since they now have the magic papers for you to sign, you're trapped.

Here's a way for you to avoid all this potential aggravation (and by the way, after-market items are not recommended for purchase). Tell your salesperson, before agreeing on a price, that you'd like to expedite your paperwork after the sale is agreed upon because you don't wish to buy any after-market items.

If the salesperson balks, politely say thanks and get up and leave. Most likely the salesperson will reconsider your request. If not, there are plenty of quality dealerships who will grant your wish and process your purchase documents without requiring you to listen to another sales pitch.

